



Gov. Gregoire: Move Toward Energy Independence

"My energy agenda is designed to break our dependence on foreign oil and create new markets for fuel-producing crops grown in Washington."

Governor Chris Gregoire
December 13, 2005

It is not a good feeling to be at the mercy of energy markets beyond our control. Just filling the gas tank of the family car or trying to keep up with winter heating costs makes most Washington families wonder why we cannot do more to reduce our dependence on outside energy markets that threaten affordable, reliable and clean energy supplies.

Given the recent spike in energy prices, the West Coast electricity crisis five years ago, the insatiable world demand for oil, and political instability in oil-producing nations, Governor Chris Gregoire is taking steps that can bring people closer to energy independence.

Washington can lead the way

Governor Gregoire believes Washington can lead the way by diversifying our energy supply portfolio for transportation fuels and electricity. At the same time, new energy markets can be created that help Washington farmers and provide alternative fuels to individuals, businesses and governments.

To help low-income families who struggle most from the rising costs of heating and lighting their homes this winter, Governor Gregoire proposes immediate financial assistance.

The Governor's energy plan

To move Washington closer to energy independence, the Governor proposal focuses on four key goals in 2006:

Goal #1: Keep more energy dollars at home

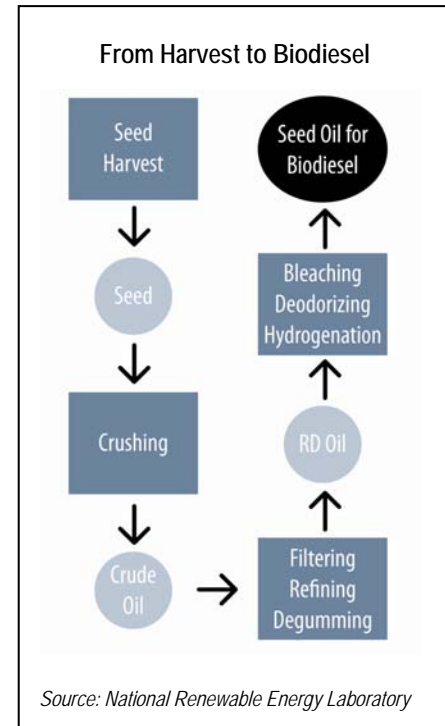
At current prices, Washingtonians spend \$25 million a day on oil and gas. For the most part, this money leaves our communities. Biofuels hold promise for keeping more of those energy dollars in the state. Farmers can grow crops that can be turned into fuel, providing them an additional source of revenue. Washington businesses could process crops into fuels for use by businesses, governments, and citizens. An entire alternative-fuels industry can flourish on the foundation of healthy agriculture communities.

Governor Gregoire's Goals for Moving Washington Closer to Energy Independence:

- ✓ Grow farm and energy markets with biofuels
- ✓ Provide help for consumers, schools and business
- ✓ Promote investments in renewable energy
- ✓ Tackle climate issues

The Governor's 2006 supplemental budget proposal includes \$17.7 million and legislation to establish a market for biofuel crops grown in Washington. New legislation establishes a minimum for the amount of biodiesel that must be blended with diesel fuel sold in-state. The minimum will take effect, and gradually increase, as the biodiesel market develops. This has been accomplished in other states, allowing farmers to capture a growing market, and will position Washington for leadership in development and use of alternative fuels. The Governor's plan will:

- Support essential infrastructure of the biofuels industry.** The Governor's supplemental budget proposal provides \$17.5 million to establish a revolving loan fund for bioenergy projects. Low-interest loans are available for construction, equipment such as seed crushers, anaerobic digesters and other capital costs, and for facilities converting farm crops and waste to energy.
- Invest in our farm-to-energy future.** The Governor's supplemental budget proposal provides \$225,000 to fund research into markets, products, and potential for bioenergy development to help grow the state's bioenergy industry.



Goal #2: Help consumers, schools, small businesses now

Low-income families face the greatest challenge from high energy costs that have increased in the past year and spiked following the Gulf Coast hurricanes. Our schools, businesses and public facilities are also hard-pressed to pay the higher costs for fuel, natural gas and electricity that are due in part to disruptions in production and worldwide demand for oil. The Governor intends to help Washingtonians cope with the impact. The Governor's budget includes:

- Additional utility bill help for low-income families.** The Governor will ask the Legislature to act in the 2006 session's first week to spend \$7.6 million from the Utility and Transportation Commission's penalty fund to boost the state's existing program to help low-income people pay high heating and lighting costs this winter.
- More incentives for utilities to help low-income citizens.** Legislation proposed by the Governor raises the cap on the existing tax credit against the public utilities excise tax, the value of which utilities use to pay for bill-assistance programs for low-income families. The current cap is \$2.5 million in credits, an amount now fully utilized by utilities. New legislation raises the cap to \$8.5 million, a \$6 million increase.
- Incentives for natural-gas suppliers to help small businesses.** The Governor proposes legislation providing tax credits of up to \$1.5 million against the public utilities excise tax, the value of which gas suppliers use to help small businesses finance energy-saving improvements.

- **Financial help for schools and public facilities this winter.** The Governor's budget proposal provides \$16.4 million from the General Fund to cover higher-than-expected costs for energy in our schools and state facilities, and for fuel for school buses and state ferries.
- **Assistance to create energy-efficient homes.** A \$4.5 million, one-time increase in funding is provided in the Governor's budget to improve energy efficiency for low-income households through the existing Energy MatchMaker grant program. As a result, about \$9 million of the \$100 million Housing Trust Fund is spent on Energy Matchmaker grants for improving the energy efficiency in housing.

Goal #3: Promote investments in renewable energy

Washington already is a leader in developing renewable energy projects. The state's communities benefit from increased investments in wind farms, solar energy and biomass, which provide affordable and clean supplies of energy, jobs and revenue to local governments. The Governor believes more can be accomplished in this field through stronger planning, streamlined permitting and increased opportunity for small-scale renewable projects. The Governor will support legislation to:

- **Promote wind development.** Expedites siting for wind-project developers, provides certainty of benefits for counties by addressing the tax treatment of these facilities, and provides technical assistance to counties that wish to adopt countywide resource planning similar to the model effort by Klickitat County.
- **Require stronger long-term planning by utilities.** Requires all utilities to undertake regular planning about their future supplies and demand. Currently only state-regulated, investor-owned utilities are required to do this. Requiring all utilities to engage in this practice levels out the playing field, promoting sound energy planning and increased investments in cost-effective renewable resources.
- **Improve opportunities for small, renewable energy generation.** Revises current law to give consumers incentives to develop more of their own renewable energy resources, and sell more of what they generate back to the utilities.
- **Establishes state authority for transmission siting.** Establishes authority for the state to site major transmission facilities – necessary to carry power for Washington's growing economy – rather than subject our communities to a federal decision-making process.

Goal #4: Address global warming

Washington State is facing issues such as lower snow packs and summer droughts, which will become worse as global warming advances. Reducing greenhouse gas emissions requires more than just a pollution-control strategy. Governor Gregoire recognizes that we need an economic transition from carbon-based fuels to clean fuels and efficient energy systems. She will make critical decisions based on the work of the state's top economists who will analyze the economic impacts of climate change based on the latest scientific information and a state inventory of greenhouse gas emissions.

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